

For general information regarding the taxation of "core" charges, please refer to sales tax letter ST 00-0207-GIL. (This is a GIL.)

March 30, 2006

Dear Xxxxx:

This letter is in response to your letter dated March 13, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I recently spoke with the Department of Revenue and they recommended that I contact your office for a clarification of the following issue.

Our company provides parts and services for the oilfield industry in Illinois. As part of this we sell some products, (Tail Pins, Wrist Pins, and Saddle Bearings), for which we charge a core charge until the customer returns the old core unit. If the customer does not return the old core then the core charge is kept by our company and recorded as a core charge sale. Upon the customer returning the old core we reimburse the customer for the core charge. The clarification required is on the sales tax liability for the core charge.

We invoice the customer for the core charge separately, I.E. 1 Tail Pin \$xxx.xx; Core Charge \$xxx , so it is not included in the part cost of sales. But I also see that if the customer does not return the core then it is considered a sale of a core.

We would appreciate your clarification as to the sales tax liability on the transaction(s) outlined above as soon as possible so that we may take whatever action is necessary to comply with the State of Illinois statutes.

Thank you in advance for you assistance and timely response to our concern. If you should have more questions or need clarification please do not hesitate to contact me.

## DEPARTMENT'S RESPONSE

In Illinois, the gross receipts received from a retail sale are subject to Retailers' Occupation Tax. Gross receipts are defined as all the consideration actually received by the seller, except traded-in tangible personal property. See the Department's regulation regarding "Meaning of Gross Receipts" at 86 Ill. Adm. Code 130.401 and "Traded-In Property" at 86 Ill. Adm. Code 130.425. For general information regarding the taxation of "core" charges, you might also want to take a look at sales tax letter ST 00-0207-GIL. These regulations and the Department's letters are available on the Department's website.

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote  
Associate Counsel

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